

Message Text

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12

ACTION EB-07

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CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /096 W

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TO SECSTATE WASHDC 1244

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E.O. 11652: GDS

TAGS: ENRG EC

SUBJ: SUPREME COUNCIL ASKS GULF TO DEPOSIT BY AUGUST 31; TEXACO TO
BEGIN NEGOTIATIONS

1. SUMMARY: THE SUPREME COUNCIL HAS ASKED GULF TO MAKE
OVERDUE DEPOSITS BY AUGUST 31 AND PAY CAHS FOR UPCOMING
SHIPMENTS, AND HAS THREATENED CANCELLATION OF GULF'S CONCESSION
FOR VIOLATIONS OF ECUADOREAN LAW. LUMPKIN IS CONVINCED
GOE WILL NOT CANCEL CONCESSION. SUPREME COUNCIL HAS
PROMISED TEXACO QUICK SOLUTION TO PROBLEM RE DECREE 285 AND
IMMEDIATE NEGOTIATIONS ON LONG-TERM ECONOMIC ARRANGEMENTS.
END SUMMARY.

2. TOM LUMPKIN (GULF VICE PRESIDENT), GLENN LUCAS (GULF
ATTORNEY) AND MAX CRAWFORD (TEXACO PRODUCTION MANAGER FOR
LATIN AMERICA) CALLED ON AMBASSADOR EVENING OF AUGUST 19 TO
REPORT DETAILS OF DAY'S MEETINGS WITH THE THREE MEMBERS OF
THE SUPREME COUNCIL PLUS MINISTER OF NATURAL RESOURCES RENE
VARGAS, MINISTER OF FINANCE CESAR ROBALINO, AND SECRETARY
GENERAL FOR ADMINISTRATION VICTOR GARCES. CRAWFORD HAD
ALSO MET PRIVATELY WITH ADMIRAL POVEDA EVENING OF AUGUST 18
TO DISCUSS TEXACO'S LONG-RANGE ECONOMIC PROPOSAL. LUMPKIN ALSO MET
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PRIVATELY WITH POVEDA AUGUST 19 TO PRESENT GULF PROPOSAL RE

DEPOSIT SUSPENSION.

3. LUMPKIN, LUCAS AND LOCAL GULF MANAGER O'BRIEN MET WITH MEMBERS OF THE SUPREME COUNCIL PLUS VARGAS AND GARCES MORNING OF AUGUST 19 TO GIVE GULF'S RESPONSE TO SUPREME COUNCIL'S REQUEST THAT GULF RESUME DEPOSITS. LUMPKIN PROPOSED THAT GULF WOULD MAKE ONE OVERDUE DEPOSIT WITH ECAH UPCOMING GULF SHIPMENT WHILE NEGOTIATIONS CONTINUED WITH THE SUPREME COUNCIL ON DECREE 285 AND A LONG-TERM ECONOMIC PACKAGE.

4. LUMPKIN REPORTED THAT, ALTHOUGH HE INTENDED HIS REMARKS TO BE CONCILIATORY, POVEDA RESPONDED THAT GULF WAS IN VIOLATION OF THE LAW AND THEREFORE IN DANGER OF GOE CANCELLATION OF THE GULF CONCESSION; POVEDA ASKED VARGAS TO SHOW LUMPKIN THE RELEVANT CLAUSES IN THE HYDROCARBONS LAW PROVIDING FOR SUCH CANCELLATION. (LUMPKIN COMMENTED THAT THIS WAS THE SECOND GOE "THREAT" OF CANCELLATION OF ITS CONCESSION: VARGAS HAD CALLED LOCAL GULF MANAGER O'BRIEN AUGUST 13 TO POINT OUT THE SAME PROVISIONS OF THE LAW.)

5. LUMPKIN TOLD THE SUPREME COUNCIL THAT GULF HAD NEVER REFUSED TO MAKE DEPOSITS, BUT RATHER HAD ONLY "DELAYED" PAYMENTS. IN ANY CASE, LUMPKIN TOLD THE AMBASSADOR, THE HYDROCARBONS LAW REQUIRES A THIRTY--DAY NOTICE TO CANCEL A CONCESSION AND NO SUCH OFFICIAL NOTICE HAS EVER BEEN MENTIONED. (LUMPKIN TOLD AMBASSADOR HE IS CONVINCED THAT THE GOE HAS NO INTEREST IN NATIONALIZING GULF PROPERTIES.)

6. CRAWFORD OF TEXACO LATER HAD A MEETING WITH THE SUPREME COUNCIL, VARGAS, ROBALINO AND GARCES. CRAWFORD GAVE THE SUPREME COUNCIL DOCUMENTS TEXACO HAD PREPARED TO IMPLEMENT THE PREVIOUS AGREEMENT WITH THE SUPREME COUNCIL REGARDING DECISIONS 285. THE SUPREME COUNCIL ASSIGNED VARGAS TO WORK OUT DETAILS OF THE AGREEMENT WITH LOCAL TEXACO MANAGEMENT.

7. CRAWFORD ALSO DISCUSSED LONG-TERM ECONOMIC ARRANGEMENTS WITH MEMBERS OF THE SUPREME COUNCIL. (HIS PROPOSAL WAS ESSENTIALLY THAT DISCUSSED WITH ADMIRAL POVEDA THE EVENING BEFORE: AND INCREASED RATE OF AMORTIZATION, AND CREDIT FOR THE 20 CENTS-PER-BARREL NORSUL PHOENIX PAYMENT.) THE SUPREME CONFIDENTIAL

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COUNCIL ASSURED CRAWFORD THAT ROBALINO WOULD IMMEDIATELY BEGIN NEGOTIATIONS ON THIS ISSUE WITH TEXACO. THE COUNCIL TOLD CRAWFORD THEY HOPED TO HAVE AN AGREEMENT IN EIGHT TO TEN DAYS, ALTHOUGH CRAWFORD BELIEVES THIS IS OVERLY OPTIMISTIC.

8. THE SUPREME COUNCIL THEN CALLED IN GULF REPS TO INFORM THEM THAT GULF'S PROPOSAL WAS UNACCEPTABLE. THE SUPREME COUNCIL COUNTERPROPOSED THAT GULF DEPOSIT ALL OVERDUE FUNDS

(ABOUT \$25 MILLION) BY AUGUST 31 AND PAY CASH ON UPCOMING SHIPMENTS. (LUMPKIN SAID THE RUTH SUIT WAS NEVER MENTIONED; PERHAPS CEPE HAS NOW RECEIVED PAYMENT FROM BROKER MARC RICH, HE SAID. GULF HAS NOTIFIED THE GOE THAT THE SUIT IS SUSPENDED FOR THIRTY DAYS, NOT CANCELLED AS REPORTED IN LOCAL PRESS.) LUMPKIN TOLD THE SUPREME COUNCIL HE WOULD DISCUSS ITS REQUEST WITH GULF MANAGMENT.

9. LUMPKIN TOLD THE AMBASSADOR HE WAS NOW CONSIDERING VARIOUS ALTERNATIVES REGARDING THE UPCOMING GULF SHIPMENT AUGUST 23, BUT NOT DECISION ON FULL RESUMPTION OF DEPOSITS WOULD BE MADE UNTIL AUGUST 31. LUMPKIN, HOWEVER, AGREED WITH THE AMBASSADOR THAT PAYING CASH FOR SHIPMENTS WAS ESSENTIALLY THE SAME AS MAKING AN OVERDUE DEPOSIT WITH EACH SHIPMENT.

10. COMMENT: THE EMBASSY BELIEVES THAT LUMPKIN WILL PROBABLY HAVE GULF BEGIN CASH PAYMENTS FOR UPCOMING GULF SHIPMENTS. (LUMPKIN COMMENTED THAT GULF IS ALREADY "AHEAD" BY TWENTY SHIPMENTS, OR APPROXIMATELY \$70 MILLION.) WE BELIEVE, HOWEVER, HIS DECISION ON WHETHER TO PAY THE FULL \$25 MILLION BY AUGUST 31 WILL DEPEND ON OUTCOME OF GOE-TEXACO NEGOTIATIONS, SINCE GULF'S PROBLEMS AS WELL AS TEXACO'S WILL BE SOLVED BY AGREEMENT WITH THE GOE ON DECREE 285 AND A VIABLE ECONOMIC ARRANGEMENT.
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